Closed Caption Log, Council Worksession, 6/4/08

Mayor Wynn: There Being a quorum present, at this time I will call to order this Austin City Council work session, it's around 9:18 a.m., Wednesday, June 4th, 2008, in the board and commission room here at City Hall, 301 west Second Street. I believe this is our last scheduled budget work session prior to ultimately the manager's submittal late next month of our proposed budget. So with that I guess that I will turn it over to Leslie.

Thank you, mayor. We would like to start off the presentation, if you could get those slides going. Oops. With really recapping the highlights of the general fund five year forecast for you and then update you on what has changed since that time. Brand will be walking you through the revenue and expenditure estimates, really just an the key assumptions that we took to develop those estimates. Then we would also like to summarize kind of the key discussion items that have occurred during April and May with the council at these budget work sessions. Then we would move on to to talking to you just in very general terms about about how we are going to go about balancing the '09 budget and some of the issues that we are already looking at just in a very, very broad sense and then just as we wrap up, we'll look a bit beyond '09 into the future and then do our customary next step and schedule. So with that, I will turn it over to Greg.

Thanks, Leslie, good morning, mayor and council. Before we get into kind of a review and a recap, we want to do kind of a quick high level review of where we are today and from where we started. Obviously this was a new process that we have undertook this year. Well intended to be a more open process to really solicit input and feedback in advance of us working on the proposed budget. I think in large measure that has been accomplished. So we did start back in April with a with first a discussion on our economy, the national economy and local economy and then also with the first look at our various revenues scenarios and our expenditure increases. We've had a total of five budget work sessions. Again all in advance of us going kind of to hunker down and work on the proposed budget. The work sessions covered really the major issues and challenges facing our enterprise funds, major enterprise funds as well as our general fund departments. Certainly there was a lot of spirited discussion and dialogue and input from the council on a wide range of topics, a lot of questions and answers that were brought up during the discussions. In fact we've had over 25 budget questions and answers so far. Through the early forecast process. But more importantly, I think there was just a lot of good discussion on a broad range of issues. What we have done here is try to not list all of the topics that were discussed over the last several work sessions but just kind of distill them down to some kind of broad themes that certainly seem to evolve. The first one that we discussed early on was the idea of in the context that Austin is Austin's general fund is relying on sales tax revenue, highly relying on sales tax revenue with the idea of looking at our tax rate policy and ensuring that we are always in a place that we can adopt a tax rate that is sufficient enough to meet the needs of the community. As we walk through this presentation, you will see that we have taken that into mind and will continue to work on that. Then I think another big theme that developed over the course of these five work sessions was the idea of comprehensive planning. Really started the discussion with the utility department, Austin water utility and drainage and then really wrapped up and crystallized with our planning director talking about the need to have a comprehensive plan really to serve as a road map for all of the multiple planning efforts that are underway right now and those that are yet to come. And I think this will help us first of all help us put the budget together. But also I think that the idea of this would really put us in a place to make sure that we can have a a kind of a synchronized planning effort on the front end but also on the back end as well when our departments are dealing with citizens during the development and review process. Another common theme that was started off I think on day one was the idea of the impact of rising commodity costs, specifically fuel. It seems a day doesn't go by that we don't all hear a story about the impact of the rising cost of gas and how that is affecting everybody. Leslie is going to talk about this more later on in the presentation. But I think the message here of course is that just maintaining current service levels is going to cost there's going to be increasing costs associated with that due to these rising costs of commodities, fuel and construction materials that we heard from some of our utility departments as they are undertaking their C.I.P. programs. Some of the specific areas again, this is not an exhaustive list, but certainly this is a discussion over the course of several work sessions about moving towards the performance based southerly service allocation and our health and human services department has already started that process. To undertake that process to get us to a new way of looking at those. And I think a theme that Austin developed was basically continuing the investments in amenities that have low O and M costs. I think this is very much in line with the 2006 bond program that council put to voters that was approved, really an intensive O and M bond program. For the people watching at home, we do have all of the written questions and answers are out there on our website for review as well as all of these presentations actually that we have been through these five work sessions. Actually a big old book now all put together. A lot of issues that have been discussed. So I wanted to move on now to looking at actually before I do a quick recap of the revenue and expenditures, if you allow me to channel John Hockenyos here for just a little bit. I probably won't be as folk see as he is, just really wanted to quickly highlight his economic outlook. On the national front I think it's a twofold story. One is the housing prices shakeout from the housing market combined with the impact of rising fuel really has made consumers weaker, I think we are seeing that in Austin even if the even in the City with lower sales tax growth compared to the prior years. Locally, Austin is faring better than the national outlook. But as John mentioned I think the robust period over the last several years has worn off, seems like has given way to a more modest outlook. John talked about an issue I think that we have all seen evolve over the last decade, how we are our economic base has grown. It's expanded. Which I think is a good thing for any community beyond government beyond technology into a tourism is as being a stronger role in our economy. John gave us data showing that. Certainly when our convention center was up talking about what they are seeing in their business, I think that certainly played into that. Locally, building is slowing. We saw that in again, we're seeing that in the City, the City's revenue, some of the permitting activity that's going down. John talked about how lending activity has clamped down a little bit. I think that's an impact on consumer spending, moving forward. John reminded us about the phenomenal growth of population that Austin has seen. I was looking at looking at his presentation again last week. We've had over 200,000 people move to the City since 2000, which was really one of the highest end migration rates in the country. Really a remarkable, a remarkable increase in people living in our community. And looking forward the expectation that Austin's population will double in growth in 25 years. So so again I think this ties back into his out look. Our out look is different than the national out look. We are still strong, although again it's it's peeling off a little bit. Then finally, John wrapped up with with really the idea of talking about the concept of place making on on the economy, on economic development, on how the public sector comes together and really I think that certainly ties back to many of the themes that the council has been working on over the over many years in terms of the planning efforts that are going and development that is happening in the City. So so I think John really left us with a with a good sense of what's happening. We had a good talk about sales tax where we see sales tax again slowing down. Based on a lot of national trends as well as some local trends as well. So with that, I wanted to kind of basically rehighlight the revenue assumptions, revenue scenarios for the general fund. Just as a reminder, the general fund has basically four pieces of revenue, property tax at 30%, sales tax at about 30%, transfers at 20% and our other revenue up 20%. The main assumption underlying our property tax is of course our assessed valuation. Right now it is 68.6 billion. For next year we are projecting an increase of 8.5%, actually this is the same number that we did show you back in April. I had a conversation last week with the new chief appraiser up at the appraisal district, he indicated this still seems like a good estimate of the total tax roll. But I will tell you that he's basically at this point he's on speed dial for me and we'll be having a lot of conversations with him in advance of us putting a final estimate on the tax roll as we put the proposed budget together, we will have certainly one final good look at the numbers in early July so we can really nail down where we are on the on our assessed valuation. Second assumption is the continuation of our transfers from electric utility and water utility at 9.1%, 8.2% respectively. These do result in increased revenue over the current year. And more importantly, what's happening right now, both of those utilities are looking at their estimates of current year revenue. Their utility revenue and as those estimates change, they will get us a a proposed transfer from their utility funds and we will be getting that here by the end of the month. So again we can work on putting the proposed budget together and really nailing down our revenue. Finally, with the other 20% of our revenue is all of those other fines and fees and charges for services. One of the area that's we are looking at and now that we have yet another month of data, they have already started to look at our development revenue and as the watershed department was here a few weeks ago telling you how we have seen a decrease in revenue this year, I think that we can expect to see certainly a flattening of revenue next year, but we will continue that analysis this month in advance of again kind of wrapping up our wrapping up our revenue side. So continuing in our revenue begin, looking at the general fund. Back in April we put together three revenue scenarios and they were each based on different assumptions about the property tax rate and sales tax growth. Then we have just kind of put these back out here to show everywhere what we did put up in April. And now we've really landed on one final revenue scenario. We have taken the sales tax growth rate from scenario one and of the property tax rate from scenario 3 for a new final scenario 4. And has that is, is scenario 4 is based on the rollback tax rate and it's based on a sales tax growth rate of 3% next year based off of the revised 2% this year. So a lower sales tax base and a more moderate sales tax growth for FY '09. And just a note on the roll back tax rate, currently it is projected at 4139. Again this is based on 8.5% growth in A.V. Just as a reminder, if our A.V. growth rate does change slightly, what that impact is it lowers the tax rate. As we work with the appraisal district we will be recalculating these numbers as we get that information. Then also just a note, this tax rate does include the additional one cent for debt service associated with the 2006 bond program as approved by the voters in November of 2006. So putting that altogether, putting our final revenue scenario together, again at a rollback tax rate, sales tax growth, more modest at 3% growth, results in $616 million in revenue for FY '09, growing to $794 million by the end of the forecast period. So I will now move on over to our expenditure assumptions. Really just to be a recap of what we talked about at the end of April. First of all, what we are looking at, it's first of all obviously keeping flat funding for general fund services, which are public safety, our fire, police, E.M.S., our public health and social services, parks, library, as well as development services. Then we have addressed those areas in the budget that will have increases associated with them. As a reminder a major component of costs in the general fund is personnel costs of about 78%. They have included an increase for salaries. For all employees, personnel costs, health insurance, 10% increase for health insurance. However, our human resources department is currently finalizing and working with our outside consultants on looking at the most recent claim history to see if we are able to adjust this number hopefully downwards to some extent. To help us lower some of these cost increases. For next year we have continued the market salary adjustment program. This will be year two of that. We we continue to maintain our 2.0 officers we are thousand population. Per council funding consolidation for public safety and finally we have also really a remnant of the 1998 bond program, three additional projects that are finally opening, the twin oaks library, north village and Guerrero Colorado River park. Both those libraries are replacement so the O and M differential is not that much, closing the

Mayor.

Mayor Wynn: Yes.

Leffingwell: Just a quick clarification, flat funding or flat service level?

well, Councilmember, I think that's a good question. I think what it is that for that top it's flat funding and for the flat funding for what we have right now then we look at cost increases depending on where we end up on those cost increases is really the rub of where how services are impacted. We have talked about certainly the rising costs of fuel as those fuel budgets go up, services certainly aren't being expanded when that occurs. In some instances as the dollar is going as the dollars going into it are keeping services flat.

Leffingwell: So it's really services flat.

It's really services flat, exactly. Then just as a reminder, we did for the forecast we had put some some dollars in for the inflationary cost that's we know hit our departments each year, that they were in front of you talking about for fuel, utilities, commodities. What we are working on now we have actually started the process of taking that macro number and started drilling down and looking at the specific costs of utilities for each department, the cost of fuel for each department and we will we will refine those numbers and make sure that those budgets are as whole as they can be so they can make sure that they are that they are paying their bills and have the resources that they need to operate. Then I wanted to quickly reshow this slide, the breakdown of the FY '09 cost increases projected back in April. Showing total general fund costs going up by $48 million. Again not surprisingly given the size of the personnel costs in our budget, there's an increase of $17 million for personnel. Other departmental costs are at $17.8 million and these are really to fund those assumptions that we just walked through, the 2.0 officers, the new facilities, annual losing costs of things that annualizing costs of things in the budget as well as outside contracts, for example we have a contract to run the arch and that contract goes up, make sure that we have dollars in there for that. Finally we have funding increase of about $13 million for the general fund share of other funds costs, basically internal service funds such as the support service funds, CTM, and transportation fund and Leslie is actually going to elaborate a little bit more on this area at the end of this presentation as we talk about as we talk about looking forward. In fact, for all of these we're going to be reanalyzing all of these cost increases as really we begin working on preparing the budget. It's really the first step that we do is look at these cost increases, make sure that we have them nailed down to have the right the right increase in there, then we move forward in trying to work towards the balanced budget. Here on slide 11 is just a recap of the five years expenditures. Starting at $641 million in FY '09 annual increases range between 42 and $48 million up towards $816 million by the end of the forecast period. Again this graph does assume that each year's expenditures are fully funded. As we know this year we will be looking at trying to curtail our expenditures to keep them in line with our revenue. So just moving on, bringing these two pieces together, of our general fund, our revenue to expenditures, for the entire forecast period our expenditures against this final revenue scenario, as you can see our growth in expenditures is outpacing our growth in revenue certainly for next year as well as projected for the out years as well. So just drilling down, taking that first year FY '09 off of those line graph there, showing you the numbers behind it, what we result is on the revenue side revenue of $616 million based on the assumptions that we walked through of a tax rate and our sales tax growth. Again a more moderate sales tax growth given the climate that we are seeing based on conversations we had with John Hockenyos. On the expenditures side, expenditures are increasing $641 million. And this results in a deficit of 25 $25 million. And unlike prior years, we have talked about this back in April, unlike prior years, certainly last year, where we had some revenue options on the table, sales tax, a little bit higher property tax revenue, we certainly think this year the challenge will be balancing the budget mainly by looking at our expenditures side of the budget, that does pose some challenges and issues as we move forward. So with that I will turn it back over to Leslie, she can walk you through those challenges and issue as we move forward.

Mayor Wynn: Questions of Greg, council?

Okay, as we move forward to balance the 2009 budget as Greg just reiterated the shortfall of of expenditures over revenue that we are currently forecasting our job now is to balance that and come back to you in late July with a proposed budget. So that's what we'll be working on during the next couple of months. As we always do, we will start by really reanalyzing and reassessing our existing revenue and expenditure projection that's we just shared with you. Greg talked a little bit about property tax. We don't really anticipate revenue collections changing much there. Probably more of an issue of what ends up as the final tax role. Of course we usually get that either right before or shortly after we deliver the proposed budget to you. So we will keep you up to date on that. At our April work session, we engaged in a lot of discussion about the limitations of the effective tax rate formula. Especially for rapidly growing cities like Austin has been expensing in recent years. So just to kind of recap those limitations, the really really the only new revenue growth that you get when you use that formula is represented to the new construction that comes on to the tax rolls not anything else, that's pretty much what it's limited to. So when you are in a rapidly growing or even a moderately growing population and demand for services it's really difficult, you are left struggling to cover just the increased cost of doing business and delivering your city's services. So having had a lot of that discussion our intention is to come back to you in July and deliver a proposed budget based on the rollback tax rate. And there were also some discussions in April as well about perhaps amending our financial policies to really reflect consistency with the state public noticing requirements and that we would pretty much when we come forward with our noticing requirements we would notice up to the rollback level and then as we went through the budget deliberations council would have the option of setting the tax rate would you thought it would be. So we will we will move forward with to that regard. We will bring it through the audit and finance committee probably in June. And then get their input and feedback and then move that up to council either through the through the proposed budget process or just at a separate council meeting. That's what we are thinking in terms of the property tax issues. Greg was talking about a 3% growth rate. In talking with John Hockenyos, he kind of indicated on a long range basis you would expect to see average growth of somewhere between 4 or 6%. So 3 again is is fairly conservative, but we think that it's reasonable. Based on the last couple of years where we have really seen some steep increases and even this year when we cut those increases back in half in terms of our projections and we still ended up with less growth we think that 3% is very moderate and reasonable for next year. We do have payments, we will way those payments when they come in weigh those payments when they come in. Look at what we ultimately think the projections should be, we will continue to keep you up to date. On the utility transfer side, Greg mentioned that we will be working with both the water utility and electric utility to refine those numbers. They typically project their revenue based on normalized weather and of course price the fuel for Austin Energy is rising so we wanted to make sure we really looked at all of the estimates there to make sure that we capture all of the available revenue that we can. We will update you in that area as well. In terms of other revenue, development fines, interest revenue, we will looking at those as well, coming back to you in July with the comprehensive update. Next slide. On the spending side, what we typically look at again we go through that same reanalysis of our expenditure projections and on the general fund side, over 08% of our over 80% of our budget is personnel, this is an area that you always end up when you are looking to to cut back on your costs. We don't yet know the outcome of the public safety negotiations. We did include funding in the forecast for the incremental cost associated with consolidation. So so that is in there. And we'll just be looking at at affordability as a whole in the personnel area. Moving down to to health insurance, we had originally forecast an increase of about 10% as Greg mentioned. I think last year at the five year forecast we were actually looking at 15% and those cost increases have been more favorable than we have anticipated. Human resources is working on some initiatives to bring down costs. For example, they are going to bring in the administration of their HMO plan in house and we expect to save some dollars there. That is at least a favorable variance that we are seeing in health insurance area. On retirement we will be continuing to provide the supplemental funding to the employees retirement system that council approved in 2005. The estimated amount of that is 2.5 million for next year. You will recall that was an additional infusion of funds into the system over time. To allow us to pay down our under funded liability so that can be amortized over a 30 year period. Right now the amortization questioned is infinite. We are hoping that additional infusion will get us progress there. We had been funding that through the budget stabilization reserve for the general fund. All of the other city funds have worked it into their ongoing costs. Our goal eventually is to do that as well for the general fund, I think for next year we will probably still have to look at doing that out of the budget stabilization reserve. In terms of fuel costs, we have, I think the departments during April and May did a lot of talking about the their concerns about the rising costs next year and those, yes, those will go up. We are concerned about that as well. We actually provided some handouts for you related to fuel with quite a bit of analysis there in terms of what our budgets have been, what our actual pricing has been. What we have been charging the departments because we do actually charge the departments a fixed rate so that they can have more certainty in the budgeting process. In addition to that we will actively be looking at strategies to manage our fuel costs to the extent that we can next year. Working with our fleet services division to to not only get out there and educate employees who are driving, but also to work with the department heads to to really help them deploy their fleets more efficiently. So we will really be focusing in that area. And in the handouts we have outlined some of the strategies that will be we'll be using, just let us know if you have any additional questions or want to talk about those further. Then as Greg mentioned, he will be working with the department directors to to refine the timing and the costs of staffing new facilities to make sure that we have got our most accurate estimates for the budget there. Then another area that we'll be looking at next year, the general fund actually makes contributions to other city fund through various transfers to other city funds. Right now, for the 2008 budget, we have about $68 million budgeted for that. And in the five year forecast, we have included an increase of about $12 million, so let me just touch on a few of those what we are thinking about. And these are again just initial thoughts. On the support services side and the communications and technology funds, those are both internal service funds. Support services, houses, the largest departments are financial services, human resources and law and also includes mayor and council, city manager's office. And then of course the communications and technology fund is our I.T. function. Right now this year and into next we are consciously working on plans to cut back our spending so that the general fund can benefit from that as well. We will be able to reduce our transfers into those funds based on the savings plans that we are putting into place. That's our plan there. Looking at some of the other funds on the slide, the capital project management funds, the general fund does make a contribution of about $2 million to that fund and it's primarily for project support and real estate acquisition support related to the general fund. What we are looking at there, since those are really C.I.P. related cost is is moving that into moving that into the C.I.P. interest earnings which provides the funding source for us related to the capital projects. So that's that's one of the ideas that we are thinking of for next year. Solid waste services, we actually had transferred back in 2005 the code enforcement function to solid waste and the general fund still provides a little bit of of of funding for that. That move was made based on code enforcement has been kind of an historically underfunded function in the general fund. It just we got a lot of customer dissatisfaction through our surveys. We thought it would be a good move to put that into solid waste services and we have seen some improvements since that time. So we are looking at at letting solid waste absorb the the costs of code enforcement and their function just based on our initial assessment we believe that it could be a minimum a minimal financial impact to that fund. Looking over to the right, at some of the other some of the other funds that were that we are evaluating, the Austin convention and visitors Bower burro, we transfer right now about $125,000 to to the tourism and promotion fund and they receive about $7 million a year in terms of of funding from the hotel occupancy tax. So with that we are thinking that the $125,000 that's more related to the retention and attraction of convention business to the Austin area and that's something that we will probably be asking the convention center to pick up next year. We think that's more closely related to them. There are a few other finds on here. Greg, would you mind touching on softball and a couple of the others?

Sure. I mean I guess that I will kind of pick up on some of the other ones starting to the life side of the transportation fund. Obviously something that we talked about earlier on. When the when the public works department was here. Last year the the general fund infused an additional $2.9 million into this fund to help us maintain a street preventive maintenance level of about 9.5%. So that's something that we will that we will again just assess and assess the general fund share of transportation and street costs and seeing the impacts of if that funding goes away, that additional funding goes away. Getting back to the softball fund, the softball fund is about a $900,000 fund and so several years ago, in an effort to help bring down the cost of softball fees, the general fund did did add about $100,000 to the softball fund again to bring down the cost of team fees so it would be more competitive around the Central Texas region. Another one on the drainage utility fund, again this is a small transfer in the amount of just a couple of hundred thousand dollars. Their overall budget is about $40 million. This was something that had been set up prior to prior to the consolidation of the one stop shop several years ago. Then finally, looking at two other ones on their sustainability fund, this is a fund that was set up in in 2000 and it really funds two purposes. It is one additional social service fundings of about $4 million. About a million $ of funding for housing as well as other C.I.P. related issues related to sustainability to the economy and equity. And the general fund contributes about a million $1.3 million to that fund and again we will look at that contribution level. Other funds obviously contribute to that fund as well, Austin utility, drainage fund. The first thing that we are going to look at is on the expense side to see if all of that expense is moving forward on both social services and the housing are still in play, look at all of their funding, kind of put it together in context and address that if we can. And then finally, too, looking at the housing fund, general fund contributes about $2.5 million to housing. In the seem of their overall fundings which is in the range of 30 or $40 million each year, the majority of their funding obviously is from grants, CDBG grants, now from bond funding now that we have a bond program in place. This transfer was increased two years ago by a million dollars in light of potential lost funding. So again we will work with the housing department to assess their overall revenue stream. Not only general fund but the bond component and all of the grant funds they get from the feds. We will be looking at that as well to see if there is any room that we can work with on those fundings as well.

Then moving on to the next slide. This is really the last piece back one. This is really the last piece that we look at in terms of in terms of balancing the budget. We will be focusing on individual departmental savings, there are there are existing vacancy levels that we are currently holding, right now we have got about 150 vacant positions in the general fund and that equates probably to about close to $6 million in terms of current year dollars just in terms of an annualized cost of the value of those vacant positions. So obviously we will be looking at continuing to hold those. Capturing additional vacancies as we as we go forward when turnover occurs and then working with our departments to to develop savings plans for next year so that we can live within our means. What our plan is going forward, our approach this year has been to give the departments dollar targets. Just in terms of generating savings. For example, to offset the sales tax shortfall this year. The theory there is that we feel that, you know, they are in charge of their departments, they really know their business. We have put basically the ball in their hands to come forward with, you know, when they need additional services, they know where to ask for those and when they are asked to cut back, they know where best to cut back. We will put that in their hands. Ask them to develop plans. Come back in June or early July and share those for review with the budget office and the city manager and then move forward to to incorporate those plans into the proposed budget. So with that, that's the process for how we plan to proceed. We would be happy to to answer any questions. Moving beyond we wanted to look a little bit forward beyond 2009. I would like to turn it over to the city manager for that.

Thank you, Leslie. And Greg. Well, I think that what we have tried to do over the course of these five works sessions with council is as we said at the outset to kind of give you a good sense of the context within which we hope to put together a budget recommendation for FY '09. I think that we have done a pretty good job at that and you have helped us certainly with your conversations as we've had the various workshops over the past month or two. Obviously, there are there is an overarching theme. You have heard it in the course of the presentation today. That is that we do we do recognize that we are going to have shortfalls throughout the five year forecast period and there was a there was a pretty ILLUSTRATIVE graphic that displayed that. I think we really need to take that seriously, what it really speaks to is the I object adequacy of our inadequacy of our current revenue base or policy. It currently goes without saying we do need at some point to have a substantive dialogue with council as to the extent to which we rely on sales tax as opposed to greater reliance on what I believe is more stable and that is the property tax. So it's really a conversation that we need to have at some point in the near future as to this the adequacy of the City's revenue base. Also along those same lines in the course of that conversation we will want to assess our other revenue sources, including looking at our transfers from from our enterprise operations. You know what they are. A.E. and our water and wastewater utilities. And so on. So that's an important part as well as a sensitive part of our conversation. When we have in it the future we certainly recognize that. That's on the revenue side. Obviously as we go on the non revenue base, I think it will also be important for us in our future conversations to focus on the expenditure side and the staff and I continue to focus on that every day, but I think that really it requires a fairly concentrated effort on our part to make sure that we are doing all that we can to optimize every single tax dollar that we get that we are squeezing everything that we can out of it. And one of the things, I have just really began the conversation with them, is in regard to a program that for lack of a better description I would characterize as reducing the cost of government services and it would really be a comprehensive look on our part on all of our programs and services and the delivery methods associated with them. And looking for ways to reduce our costs, not in the context of one time cost savings, but to but to in some cases reengineer, redesign how we do the work. The savings that we realize are recurring, if they are recurring we will see the potential significant long dark term significant impact that it will have on our revenue side. In the weeks and months ahead, we will engage the staff further in subsequent conversation in that regard. When we think that we have something figured out that we want to go forward with we will come back to you and lay that out for you so that you will have a sense of of what our intentions are and what we'll be working on. Beyond that, I'm going to turn it back over to to Leslie, obviously what we would like to do at this point as we have in every work session give you a brief recap of the budget, the time line and what we see happening in the course of bringing the manager's recommendation forward. It isn't on here, but one of the things that I do hope to do subsequent to our work session today is to have perhaps one more opportunity, sometime probably in a week or two prior to delivering the recommendation, just another opportunity to communicate with you about about how we're doing in terms of formulating our recommendation. I don't know that that necessarily will occur and this in this type of a set. I may have accomplished that in my regular meetings with all of you. If not perhaps in written form. But I want to give you probably one more update about how we are doing in terms of actually formulating our recommendation before we deliver it to you formally. Leslie, with that

Just to recap the time line. Of course we've had our forecast on April the 23rd, work sessions throughout the month of May. And in today's final wrapup before we go off and prepare the budget, we had we had originally planned to to we just kind of wanted to put this idea out there for the delivery of the proposed budget. If if you all would like to consider doing that, at a work session perhaps we can do that on July the 23rd or come back to you on on July the 24th as we have in the past, which is the first council meeting in July, so that's just a consideration that that we are putting forward, if you are interested. And we will work with you on on finalizing a date between now and then. Then we would continue in August to do our budget public hearings. And then the budget approval would be scheduled for for potentially three readings on September the 8th, the 9th and the 10th. So so that's the time frame. Again I wanted to invite the viewing public if November any questions about the if they have any questions about the budget as the process unfolds. Here's our website address. If you just go to the home page, you can also see that there's a budget icon on the green bar to the left, click on that, that will get you immediately to the Q and A portion of our website. So with that, thank you very much.

Mayor Wynn: Questions? Lee?

Leffingwell: Mayor pro tem first if you want to.

Dunkerly: Go ahead.

Leffingwell: I have a couple here. First, going back to the transfer from the general fund to the transportation fund. It's my understanding that right now we are at I believe that you mentioned this, 9.5%.

On our goal of preventive maintenance.

Leffingwell: Our goal has really always been 10. So we are already behind so... if we didn't contribute that two million I believe that you said it was from the general fund.

Three.

What will that do to the program.

Councilmember that's a question that we are going to work on with with the transportation fund to see the impact of what that would that would what that would work on with our decrease. I mean I think certainly in in the absence of additional revenue from some other source, I think that you would we would the result of result of less money coming from the general fund into the transportation fund I think that you would see a decrease in that goal. We fought pretty hard for a couple of years to get back to that 10% level. I would really hate to see us fall off of that. Did you have something?

Really, just our challenge is going to be that we have such limited resources across the enterprise is what are your priorities and what we are trying to establish is giving you facts on if you reduce here, here's what's going to impact the program. If you reduce a different program, here's going to be the result. What we are putting together now in the next few week is just information for you to see the reduction or increases.

I would like to see that number. What would be the percentage impact if those funds were cut. And

We will do several different scenarios so you can see the impacts on differing levels.

Okay. Then going back to the subject I raised earlier, maintaining service levels versus flat funding, I just want to make sure that I'm clear on this. I want to make sure that there are potentially cuts and service levels that in service levels that we are talking about. Otherwise it doesn't work, right? I mean if you have got a $25 million gap that you have got to close, there has to be a service level cut somewhere to make that work.

More than likely yes.

It is within the realm of possibility. We are doing everything that we can to try to avoid that. I want to make clear that we are talking about one of the potential service level cuts there. Then finally, the the [indiscernible] rate which is your scenario 4, correct? Results in a in a very slight increase over the nominal rate this year for the first time I believe in many years, .05 cents.

Right.

Okay.

Marginal increase. Again, Councilmember, again as we work with the appraisal district on our final A.V. number, in all likelihood that number would come down below our nominal rate.

That might change two or three more times.

Yeah, yeah.

So you would see in the end you would see a decrease, decrease in the tax rate, citizens would see a decrease in the tax rate.

If once we get our final A.V. numbers.

Could. But right now we are not looking at that.

That's correct.

Leffingwell: Okay. Thanks.

Mayor Wynn: Betty.

Dunkerly: In the page entitled beyond FY '09, one of the critical things that will affect you beyond '09 is going to be happening next week. At the legislature. When they once again start looking at how to deal with the City's ability to raise money to do all of the services that we are either required to do or need to do for our citizens. How much new tax, how much revenue do we have on new construction this year included in the budget?

It's the total new construction is about 3 3 billion of property equates to trying to do my quick math here. About 30, 40 I'm going to say about maybe several million dollars of new

Well, one of the changes [multiple voices] that they always consider is taking that new growth and rolling it into the effective tax rate calculation and when you do that, you will lose the majority of that money that extra money every year. So that's one thing to consider. And us what the operating what is the operating tax rate, 42 cent split.

28 cents.

About 28 cents for operations. Right now our rollback rate is 8% above that. Some of the considerations that they have looked at in the past is dropping that to 5% and dropping that to 3% so either the 3 or 5% of that 26 cents is a very negligible amount of money that you can use, even going up to the 8% now, we only get about what $11 million of new money and you have got a 660 or $70 million general fund. A very, very small amount. So all of these things I think are really very critical. I know many of the councilmembers will be going over, not only next week but off and on during this whole process to to testify on how these impacts these changes would impact cities. Austin would be I think proportionally more impacted than others because our rates are so low. 28 cent operating rate is very, very low when you look at other major cities. So here we have done what they wanted to us do and dropped our tax rate as the appraisals went up, now we are sort of stuck with that. And so I think that it's important Leslie that you and Greg begin to get together the information that everybody will need when they go traipsing over there. One of the things that they did in the past is they said well, you know, we'll be glad to give the cities the ability to raise 2% sales tax. And I actually told them I said well that's not something that we would probably be interested in doing because we have already lost 25% of our sales tax to surrounding areas. If we raised our sales tax more to offset the property tax loss and other surrounding cities didn't, we would simply be forcing more of our sales tax to the suburbs, I don't think that's a wise thing to do. It's a catch 21 catch 22. You guys I'm expecting you to fight hard.

Sheryl?

Cole: Following up on that comment about our potential challenges at the legislature, I guess that I need to visit with y'all based on the mayor pro tem's comments about the strategy and preparing to testify because those are serious implications.

They are. I also wanted to ask you about about the about the what number that you include for the consolidation estimate?

In looking at the incremental costs, back when this was really being discussed and considered, I believe the estimate was $2.1 million incremental cost and the portion of that would be related to the general fund is 1.4 million. Some of that would be picked up by the airport.

Cole: Okay, thank you.

Mayor Wynn: Further comments, questions? We appreciate the presentation and council, my office will will walk we will figure out whether we will take the staff up on their offer to present the formal budget in a work session format on a Wednesday or do it as we normally used to do it on on Thursday the 24th of July. So we will be in touch. Okay, there being no more business before this work session of city council, we stand adjourned. It's around 10:13 a.m.

End of Council Session Closed Caption Log